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AZ CORP COMMISSION
DOCUMENT CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF VALLEY UTILITIES WATER
COMPANY INC. FOR AN INCREASE IN
ITS WATER RATES FOR CUSTOMERS
WITHIN MARICOPA COUNTY, ARIZONA

DOCKET NO. W-01412A-04-0736

IN THE MATTER OF THE APPLICATION
OF VALLEY UTILITIES WATER
COMPANY, INC. FOR AUTHORITY TO
ISSUE PROMISSORY NOTE(S) AND
OTHER EVIDENCES OF INDEBTEDNESS
PAYABLE AT PERIODS OF MORE THAN
TWELVE MONTHS AFTER THE DATE OF
ISSUANCE.

DOCKET NO. W-01412A-04-0849

NOTICE OF FILING

Valley Water Utilities Company, by and through its undersigned counsel, hereby
provides this Notice of Filing on behalf of the Company of the Rejoinder Testimonies of Ronald
L. Kozoman and Thomas J. Bourassa in this proceeding.

Respectfully submitted this 5th day of July 2005.

Arizona Corporation Commission

DOCKETED

JUL 05 2005

DOCKETED BY

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

By: [Signature]
Richard L. Sallquist

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4500 S. Lakeshore Drive, Suite 339
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Attorneys for Valley Utilities Water Company, Inc.

1
2 Original and fifteen copies of the
3 foregoing filed this 5th day
4 of July 2005:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington
8 Phoenix, Arizona 85007

9 A copy of the foregoing
10 ~~mail~~/hand delivered this
11 5th day of July 2005, to:

12 Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington
15 Phoenix, Arizona 85007

16 Legal Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Hearing Division
21 Arizona Corporation Commission
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VALLEY WATER UTILITIES COMPANY
DOCKET NOS. W-01412A-04-00736 7 0849

REJOINDER TESTIMONY OF
THOMAS J. BOURASSA

July 5, 2005

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I. INTRODUCTION, PURPOSE AND SUMMARY.

Q. PLEASE STATE YOUR NAME AND ADDRESS?

A. My name is Thomas J. Bourassa and my business address is 139 W. Wood Drive, Phoenix, AZ 85029.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT AND REBUTTAL TESTIMONY IN THE INSTANT CASE?

A. Yes, my direct and rebuttal testimony was submitted in support of the initial application in this docket.

Q. WHAT IS THE PURPOSE OF THIS REJOINDER TESTIMONY?

A. I will provide rejoinder testimony in response to the surrebuttal filing by Arizona Corporation Commission Utilities Division Staff ("Staff"). More specifically, the rate base and income statement for Valley Utilities Water Company ("Company" or "Valley").

Q. WHAT IS THE REVENUE INCREASE THAT THE COMPANY IS PROPOSING IN THIS REJOINDER TESTIMONY FOR THE COMPANY?

A. The Company is requesting an increase in revenues of \$129,946, an increase of 15.70% for a total revenue requirement of \$957,511. The Company is also requesting an arsenic recovery surcharge mechanism ("ARSM") to enable the Company to meet its principle and interest obligations on the proposed WIFA loan and income taxes. The revenue amount for the ARSM is \$185,236. The surcharge will increase revenues from \$957,511 to \$1,142,747. The total increase in revenues over the adjusted test year revenues is \$315,182, an increase of 38.08%.

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3 **Q. HOW DOES THIS COMPARE WITH THE COMPANY'S REBUTTAL**
4 **FILING?**

5 A. In the rebuttal filing, the Company requested increase in revenues was \$166,597,
6 an increase of 14.07% for a total revenue requirement of \$944,162. The ARSM
7 revenues proposed in rebuttal was \$178,401. The ARSM request increased the
8 rebuttal proposed revenues from \$944,162 to \$1,122,563. The total increase in
9 revenues over the adjusted test year revenues was \$294,998, an increase of
10 36.64%.

11 **Q. WHY IS THE REVENUE REQUIREMENT IN THE REJOINDER FILING**
12 **DIFFERENT THAN IN THE REBUTTAL FILING?**

13 A. The revenue requirement has changed to reflect the correct income tax rate. The
14 tax rate is higher when the revenues from the proposed ARSM are considered.
15 Thus, it is necessary to increase the revenue requirement as well as the required
16 revenues from the ARSM. The proposed increase in the revenue requirement is
17 now exactly the same as Staff's. The proposed revenues for the ARSM by the
18 Company and Staff differ only slightly. The Company's ARSM revenues are
19 \$185,236 while Staff's is \$185,247.

20 **II. REVENUE REQUIREMENT.**

21 **Q. WHAT ARE THE REVENUE REQUIREMENTS AND RATE INCREASES**
22 **FOR THE COMPANY AND STAFF?**

23 A. The proposed revenue requirements and proposed rate increases are as follows:

	Revenue Requirement	Revenue Incr.	% Increase
Company-Direct*	\$1,331,081	\$ 503,453	60.84%

Staff Direct**	\$ 957,511	\$ 129,946	15.70%
Staff Surrebuttal**	\$ 957,511	\$ 129,946	15.70%
Company Rebuttal**	\$ 944,162	\$ 116,597	14.09%
Company Rejoinder**	\$ 957,511	\$ 129,946	14.09%

* 2nd Step of Two Step Proposal
 ** Excluding ARSM revenues

Please note that the revenue requirements do not include the ARSM revenues. The proposed revenues including ARSM revenues for the Company and Staff are as follows:

	<u>Proposed Revenues</u>	<u>Revenue Incr.</u>	<u>% Increase</u>
Company-Direct*	\$1,331,081	\$ 503,453	60.84%
Staff Direct	\$1,142,758	\$ 315,193	38.09%
Staff Surrebuttal	\$1,142,758	\$ 315,193	38.09%
Company Rebuttal	\$1,122,563	\$ 294,998	35.65%
Company Rejoinder	\$1,142,747	\$ 315,182	38.09%

* 2nd Step of Two Step Proposal

Q. DOES STAFF RECOMMEND APPROVAL OF THE ARSM IN THIS DOCKET?

A. Yes. My understanding was that Staff was recommending a subsequent filing necessary for approval of the ARSM. See Rebuttal Testimony of Thomas J. Bourassa ("Bourassa Rb.") at 7-8. However, it appears that Staff is recommending approval in this docket rather than require a subsequent approval in

1
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3 another filing. *See* Surrebuttal Testimony of Dennis A. Rogers ("Rogers Sb.") at
4 5.

5 **Q. DOES THE PROPOSED REVENUES INCLUDE ARSENIC OPERATING**
6 **AND MAINTNANCE COSTS?**

7 A. No. As I have previously testified, the Company projects arsenic operating and
8 maintenance costs to be \$216,600 annually. *See* Bourassa Rb. at 10. These costs
9 are not included in the proposed revenues. The Company continues to propose an
10 arsenic operating and maintenance recovery surcharge mechanism ("AOMRSM")
11 for recovery of actual costs. The Company is not proposing recovery of estimated
12 costs. I will discuss the AOMRSM in later in my testimony.

13 **Q. DOES STAFF'S RECOMMENDED REVENUES INCLUDE ARSENIC**
14 **OPERATING AND MAINTENANCE COSTS?**

15 A. No.

16 **Q. DO THE PROPOSED REVENUES PROVIDE TO SUFFICIENT CASH**
17 **FLows TO SERVICE THE PROPOSED LOAN ON THE NEW ARSENIC**
18 **TREATMENT PLANT AS WELL AS THE ARSENIC OPERATING AND**
19 **MAINTENANCE COSTS?**

20 A. No, not if the projected arsenic treatment operating costs are \$216,600. The
21 Company will experience a net loss and there will be a cash shortfall of nearly
22 \$40,000. In addition, equity will drop further negative. I will discuss this later in
23 my testimony.
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3 **III. RATE BASE.**

4 **Q. WOULD YOU PLEASE IDENTIFY THE PARTIES' RESPECTIVE RATE**
5 **BASE RECOMMENDATIONS?**

6 **A.** The rate bases proposed by all parties in the case are as follows:

	<u>OCRB</u>	<u>FVRB</u>
Company-Direct*	\$1,243,934	\$1,243,934
Staff	\$(539,804)	\$(539,804)
Staff Surrebttal	\$(539,804)	\$(539,804)
Company Rebuttal	\$(543,488)	\$(543,488)
Company Rejoinder	\$(543,488)	\$(543,488)

13 * 2nd Step of Two Step Proposal

14 **Q. IT APPEARS THE PROPOSED RATE BASES HAVE NOT CHANGED. IS**
15 **THAT CORRECT?**

16 **A.** Yes. The Company has not proposed any rejoinder adjustments to rate base. The
17 Company has accepted all of Staff's recommended rate base adjustments. The
18 difference with Staff is due to a difference in each of the party's working capital.

19 **IV. INCOME STATEMENT.**

20 **Q. WOULD YOU PLEASE DISCUSS THE COMPANY'S PROPOSED**
21 **ADJUSTMENTS TO REVENUES AND EXPENSES AND IDENTIFY ANY**
22 **ADJUSTMENTS YOU HAVE ACCEPTED FROM STAFF?**

23 **A.** The Company rebuttal adjustments are detailed on rebuttal schedule C-2, pages 1-
24 5. The rejoinder income statement with adjustments is shown on rejoinder
25 schedule C-1. As I have testified, although the Company has accepted all of
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3 Staff's expense adjustments. The slight differences are in depreciation expense,
4 property tax expense, and income tax expense.

5 Rejoinder adjustment number one shows the Company's proposed rate
6 increase. This is the same amount as proposed by Staff and produces an
7 approximate 10 percent operating margin.

8 Rejoinder adjustment number two shows the increase in revenues required
9 for the ARSM. The Company's number is slightly lower than Staff's.

10 Rejoinder adjustment number three reflects property taxes at proposed
11 revenues. Proposed revenues include both the rate increase and the ARSM
12 revenues. The property tax calculation reflects the recently passed Arizona
13 legislation (HB 2779) which reduces the property tax assessment ratio by 5
14 percent over 10 years. That is, 1/2 of one percent for each of the next 10 years
15 starting in 2006. The Company's calculation employs a two year reduction from
16 25% to 24%.

17 Rejoinder adjustment four increases interest expense to reflect interest on
18 the proposed WIFA loan. This adjustment is necessary to account for interest
19 expense effects on income taxes.

20 Rejoinder adjustments five increase income taxes to reflect the Company's
21 rejoinder proposed income taxes.

22 **V. ARSENIC RECOVERY SURCHARGE MECHANISM**

23 **Q. DOES STAFF SUPPORT AN ARSENIC RECOVERY SURCHARGE**
24 **MECHANISM?**

25 **A.** Yes. As I testified above, my previous understanding was Staff did not propose
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3 the ARSM be approved in this filing, rather a subsequent filing was necessary. *See*
4 Direct Testimony of Dennis A. Rogers ("Rogers Dt.") at 27. My current
5 understanding is that Staff recommends approval in this docket consistent with
6 other Accelerated Cost Recovery mechanisms previously authorized by the
7 Commission. *See* Rogers Sb. at 5. Thus, both the Company and Staff are in
8 agreement on the ARSM.

9 **Q. HAVE YOU CALCULATED THE IMPACT OF THE ARSM ON RATES**
10 **USING THE COMPANY'S REJOINDER ARSM REVENUES?**

11 A. Yes. The impact on rates is shown in Rejoinder Exhibit 1, attached hereto. I
12 followed the same methodology to determine the required ARSM revenues and the
13 monthly amount by meter size described in my rebuttal testimony. *See* Bourassa
14 Rb. at 8.

15 **Q. WHAT IS THE IMPACT THE AVERAGE 5/8 INCH CUSTOMER BILL?**

16 A. Rejoinder Exhibit 1 shows the average 5/8 inch customer bill will increase by
17 38.58% over present rates as a result of the ARSM. The impacts on other meter
18 sizes are also shown in the exhibit.

19 **VI. ARSENIC OPERATING AND MAINTENANCE RECOVERY**
20 **SURCHARGE MECHANISM**

21 **Q. THE COMPANY CONTINUES TO PROPOSE AN ARSENIC**
22 **OPERATING AND MAINTENANCE RECOVERY SURCHARGE**
23 **MECHANISM. CORRECT?**

24 A. Yes. The Company continues to propose an arsenic operating and maintenance
25 recovery surcharge mechanism ("AOMRSM") to recover actual costs associated
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3 with arsenic remediation.

4 **Q. DOES STAFF SUPPORT THE PROPOSED AOMRSM?**

5 A. No. Staff recommends the Company file another rate case application after the
6 costs become known and measurable. *See Rogers Sb. at 6.* Staff witness Mr.
7 Rogers asserts the Company is requesting recovery of estimated costs. He also
8 asserts that until the costs are known and measurable, Staff does not have any
9 opportunity to ascertain with any degree of confidence the reasonableness of the
10 charges and whether they are accounting for properly. *See Rogers Sb. at 6.*

11 **Q. DO YOU AGREE?**

12 A. No. Although both Staff and the Company are in agreement that the \$216,600 of
13 costs is a reasonable estimate, the Company would not begin recovery until actual
14 costs are incurred. The \$216,600 was used as the basis for computing the impact
15 on rates in my rebuttal testimony. In reality, the actual AOMRSM surcharge
16 would be computed once the actual costs are incurred. The Company proposes to
17 collect the AOMRSM in the year following.

18 I also disagree that the reasonableness and accounting of charges cannot be
19 monitored by Staff. The costs are narrowly defined to operational costs for
20 arsenic treatment. Further, during the collection of the surcharge, the Commission
21 can require periodic reporting of collections and accounting of the costs.

22 **Q. PLEASE EXPLAIN HOW THE COMPANY WILL ONLY COLLECT**
23 **ACTUAL COSTS.**

24 A. During the first year, the Company would not collect any surcharge. After the first
25 year, when actual costs are known and measurable, the Company would perform a
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3 calculation of the AOMRSM. I described the methodology in my rebuttal
4 testimony. See Bourassa Rb. at 13. The calculation as well as a full accounting of
5 the arsenic operating and maintenance costs would be submitted to Staff before
6 collection would begin. Further, the Company would agree to an annual or semi-
7 annual accounting of the amount collected via the surcharge.

8 **Q. HAS THE COMPANY PREPARED CALCULATIONS SHOWING THE**
9 **IMPACT OF THE AOMRSM USING THE REJOINDER REVENUE**
10 **REQUIREMENT?**

11 **A.** Yes. Rejoinder Exhibit 2, attached hereto, shows the calculations. The AOMSM
12 charge per 1,000 will be \$0.84 per 1,000 gallons and the test year gallons sold
13 using the projected \$216,600 arsenic O&M costs. As shown on rebuttal exhibit 2,
14 the impact on an average 5/8 inch customer bill will be \$7.77, for a total increase
15 including both the base rate increase and the ARSM charge of 68.15% over
16 present rates.

17 **Q. EVEN IF THE COMPANY IS ALLOWED RECOVERY OF THE DEBT**
18 **SERVICE COSTS THROUGH THE ARSM, WILL THE COMPANY BE**
19 **ABLE TO MEET ITS OBLIGATIONS?**

20 **A.** No. The Company will not have sufficient cash to service the WIFA debt and
21 fund arsenic operating and maintenance costs. Rejoinder Exhibit 3, attached
22 hereto, shows, the Company will have a negative cash flow of nearly \$40,000.

23 **Q. EXCUSE ME MR. BOURASSA, BUT DOESN'T YOUR DEBT SERVICE**
24 **COVERAGE ("DSC") CALCULATION IN THE EXHIBIT SHOW THE**
25 **COMPANY WILL BE IN COMPLIANCE WITH THE WIFA LOAN**
26

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3 **REQUIREMENTS?**

4 A. Yes. It shows at DSC of 1.28 and WIFA requires a DSC minimum 1.2. However,
5 there will be insufficient cash flow to pay both the debt and arsenic operating and
6 maintenance costs. The Company will be left with a choice of either not paying its
7 debt or to under fund arsenic treatment operating costs. This leaves the Company
8 in a position of possibility falling out of compliance with the arsenic standard and
9 endangering the public health and safety.

10 **Q. ARE THERE OTHER SOURCES OF CASH AVAILABLE TO THE**
11 **COMPANY?**

12 A. No. The shareholder does not have the financial capability to fund short falls of
13 this magnitude, especially for two to three years until the Company can get a
14 decision on arsenic operating cost recovery in a subsequent case. Forcing the
15 shareholder to fund shortfalls by infusing equity which will only be wiped out by
16 losses is equivalent to a taking of the shareholder's property.

17 **Q. DOESN'T THE COMPANY HAVE AN OBLIGATION TO SERVE?**

18 A. Yes. However, in order to meet that obligation, the Company will have to reduce
19 operating expenses which may have serious impacts on water provisioning to its
20 customers. Denying recovery of expenses necessary for the provision of water
21 service does not send a positive message to utilities attempting to maintain a high
22 quality of service and proactively addressing system needs.

23 **Q. IF THE AOMRSM IS DENIED, WHAT ALTERNATIVES SHOULD BE**
24 **AFFORDED THE COMPANY?**

25 A. The Company should be given an accounting order to allow the arsenic operating
26

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and maintenance costs to be deferred and considered for recovery in a subsequent rate filing.

4

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Q. DO YOU HAVE ANY OTHER COMMENTS?

6

A. Yes. As I pointed out in my rebuttal testimony, Staff recommends the Company implement a plan to produce a positive equity position by 2010. Denying the Company recovery of expenses necessary for the provision of water service is counter to this goal.

9

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Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

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A. Yes.

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Calculation of Arsenic Recovery Surcharge Mechanism (ARSM)

Principle Payment (1)	\$	57,539
Gross Revenue Conversion factor (2)		1.5683
Revenue Required to cover the Principle (1) times (2) equals (3)	\$	90,237
Interest Payment (4)		94,998
Total Increase in Revenue Requirement (3) plus (4) equals (5)	\$	185,236

Meter Size	# of Customers at TY End	AWWA Capacity Factor	Equivalent # of 5/8 Inch Customers
5/8 Inch	250	1.00	250.00
3/4 Inch	602	1.50	903.00
1 Inch	282	2.50	705.00
1 1/2 Inch	6	5.00	30.00
2 Inch	46	8.00	368.00
2 1/2 Inch	3	16.00	48.00
Total (6)	1,189		2,304.00

Annual Arsenic Recovery Surcharge [(5) divided by (6) equals (7)]	\$	80.40
Monthly Arsenic Recovery Surcharge [(7) divided by 12 (rounded)]	\$	6.70

Arsenic Recovery Surcharge by Meter Size

Arsenic Recovery Surcharge by Meter Size			
Meter Size	Equivalent 5/8 Inch Surcharge	AWWA Capacity Factor	Arsenic Recovery Surcharge
5/8 Inch	\$ 6.70	1.00	6.70
3/4 Inch	6.70	1.50	10.05
1 Inch	6.70	2.50	16.75
1 1/2 Inch	6.70	5.00	33.50
2 Inch	6.70	8.00	53.60
3 Inch	6.70	16.00	107.20

Impact on Rates

Meter Size	Average Use	Present Rates	Proposed Rates	% Increase	ARSM	With ARSM	Proposed Bill	% Increase
5/8 Inch	9,251 \$	26.28	\$ 29.72	13.09%	\$ 6.70	\$ 36.42	38.58%	
3/4 Inch	10,134	32.94	36.44	10.63%	10.05	46.49	41.14%	
1 Inch	19,749	60.07	66.50	10.70%	16.75	83.25	38.59%	
5/8 Inch	3,369	15.67	17.30	10.40%	6.70	24.00	53.16%	
1 Inch	38,207	98.53	115.49	17.21%	16.75	132.24	34.21%	
1 1/2 Inch	52,593	153.71	164.28	6.88%	33.50	197.78	28.67%	
2 Inch	158,299	415.39	471.04	13.40%	53.60	524.64	26.30%	

Exhibit 2
Rejoinder
Witness: Bourassa

Line No.	Meter Size	Class	Average Use	Present Rates	Proposed Rates	% Increase	ARSM (1)	With ARSM	% Increase	AOMRSM (2)	With AOMRSM	% Increase
1												
2												
3												
4	5/8 Inch	Residential	9,251	\$ 26.28	\$ 29.72	13.09%	6.70	\$ 36.42	38.58%	7.77	\$ 44.19	68.15%
5												
6	3/4 Inch	Residential	10,134	32.94	36.44	10.63%	10.05	46.49	41.14%	8.51	55.00	66.98%
7	1 Inch	Residential	19,749	60.07	66.50	10.70%	16.75	83.25	38.59%	16.59	99.84	66.20%
8												
9												
10	5/8 Inch	Commercial	3,369	15.67	17.30	10.40%	6.70	24.00	53.16%	2.83	26.83	71.22%
11	1 Inch	Commercial	38,207	98.53	115.49	17.21%	16.75	132.24	34.21%	32.09	164.33	66.79%
12	1 1/2 Inch	Commercial	52,593	153.71	164.28	6.88%	33.50	197.78	28.67%	44.18	241.96	57.41%
13	2 Inch	Commercial	158,299	415.39	471.04	13.40%	53.60	524.64	26.30%	132.97	657.61	58.31%
14												
15	(1) Arsenic Recovery Surcharge Mechanism for recovery of debt service on WIFA loan. See Exhibit 1 for calculation.											
16	(2) Arsenic Operating and Maintenance Recovery Surcharge Mechanism. Commodity cost per 1,000 gallons is											
17									\$	0.84		
18	Arsenic Operating and Maintenance Costs (A)											
19							\$	216,600				
20	Gallons Sold during Test Year in 1,000's (B)											
21								258,740				
22	Arsenic Recovery Surcharge per 1,000 gallons (A) divided by (B) equals (C)											
23							\$	0.84				

**Valley Utilities Water Company
Financial Analysis**

Exhibit 3
Witness: Bourassa
Page 1

Line No.		Company Proposed	Projected Arsenic O&M Expense Impacts	Company Proposed With Arsenic O&M
1				
2				
3	Operating Revenues *	\$ 1,142,747		\$ 1,142,747
4				
5	Operating Expenses	\$ 675,400	\$ 216,600	\$ 892,000
6	Depreciation & Amortization	133,545	62,724	196,269
7	Income Taxes	86,534	(86,484)	50
8	Operating Income (3)	\$ 247,268		\$ 54,428
9				
10	<u>Debt Service Coverage ("DSC")</u>			
11				
12	Operating Income	\$ 247,268		\$ 54,428
13	Depreciation & Amortization	133,545		196,269
14	Income Taxes	86,534		50
15	Total (1)	\$ 467,347		\$ 250,747
16				
17				
18	Interest Expense (4)	\$ 94,998		\$ 94,998
19	Repayment of Principle	57,539		57,539
20	Refunds of AIAC during TY (5)	43,000		43,000
21	Total Debt Service (2)	\$ 195,537		\$ 195,537
22				
23	DSC [1 divided by 2]	2.39		1.28
24				
25	DSC [1 minus 5 divided by 2]	3.06		1.64
26	(without consideration of AIAC refunds)			
27				
28	<u>Cash Flow Calculation</u>			
29				
30	<u>Cash Inflows</u>			
31	Net Income (loss) [3 minus 4]	\$ 152,270		\$ (40,570)
32	Depreciation & Amortization	133,545		196,269
33	Total Cash Inflows (6)	\$ 285,815		\$ 155,699
34				
35	<u>Cash Outflows</u>			
36	Interest Expense	\$ 94,998		\$ 94,998
37	Repayment of Principle	57,539		57,539
38	Refunds of AIAC	43,000		43,000
39	Total Cash Outflows (7)	\$ 195,537		\$ 195,537
40				
41	Net Cash (6 minus 7 equals 8)	\$ 90,278		\$ (39,838)
42				
43	* Includes ARSM revenues for WIFA debt service			
44				

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 1
Witness: Bourassa

Line

No.

1	Fair Value Rate base				\$	(543,488)
2						
3	Adjusted Operating Income - Step 1					94,731
4						
5	Current Rate of Return				N/A	
6						
7	Required Operating Income (operating margin approach)				\$	247,268
8						
9	Required Rate of Return on Fair Value Rate Base				N/A	
10						
11	Operating Income Deficiency				\$	152,537
12						
13	Gross Revenue Conversion Factor					1.5683
14						
15	Increase in Gross Revenue					
16	Requirement (Staff Recommended)				\$	239,222
17						
18	<u>Excluding ARSM Revenues</u>	Present	Proposed	Dollar	Percent	
19	Customer	Rates	Rates *	Increase	Increase	
20	<u>Classification</u>					
21	5/8 Inch Residential	\$ 78,282	\$ 93,492	\$ 15,210	19.43%	
22	3/4 Inch Residential	232,845	267,771	34,927	15.00%	
23	1 Inch Residential	193,752	223,612	29,860	15.41%	
24	5/8 Inch Commercial	1,316	1,463	147	11.20%	
25	1 Inch Commercial	13,033	15,578	2,545	19.53%	
26	1 1/2 Inch Commercial	11,172	12,563	1,391	12.45%	
27	2 Inch Commercial	225,917	268,068	42,150	18.66%	
28	3 Inch Commercial/Construction	14,290	16,386	2,097	14.67%	
29	Miscellaneous Revenues	41,791	41,791	-	0.00%	
30	<u>Revenue Annualization</u>					
31	5/8 Inch Residential	(1,169)	(1,348)	(180)	15.39%	
32	3/4 Inch Residential	5,541	6,112	571	10.30%	
33	1 Inch Residential	7,723	8,568	845	10.95%	
34	5/8 Inch Commercial	-	-	-		
35	1 Inch Commercial	233	268	35	15.18%	
36	1 1/2 Inch Commercial	-	-	-		
37	2 Inch Commercial	4,498	5,089	591	13.14%	
38	3 Inch Construction	(4,075)	(4,686)	(611)	14.99%	
39				-	0.00%	
40	Total of Water Revenues	<u>\$825,148</u>	<u>\$954,728</u>	<u>\$ 129,580</u>	<u>15.70%</u>	

41
42 * Excludes ARSM revenues.
43
44

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Increase in Gross Revenue
Requirements As Adjusted

Exhibit
Rejoinder Schedule A-1
Page 2
Witness: Bourassa

Line

No.

		Present Rates	Proposed Rates *	Dollar Increase	Percent Increase
1	<u>Including ARSM Revenues</u>				
2	Customer				
3	<u>Classification</u>				
4	5/8 Inch Residential	\$ 78,282	\$ 113,310	\$ 35,029	44.75%
5	3/4 Inch Residential	232,845	338,252	105,407	45.27%
6	1 Inch Residential	193,752	275,453	81,702	42.17%
7	5/8 Inch Commercial	1,316	2,026	710	53.97%
8	1 Inch Commercial	13,033	17,739	4,706	36.11%
9	1 1/2 Inch Commercial	11,172	14,975	3,803	34.04%
10	2 Inch Commercial	225,917	297,065	71,148	31.49%
11	3 Inch Commercial/Construction	14,290	21,639	7,350	51.43%
12	Miscellaneous Revenues	41,791	41,791	-	0.00%
13	<u>Revenue Annualization</u>				
14	5/8 Inch Residential	(1,169)	(1,630)	(461)	39.47%
15	3/4 Inch Residential	5,541	8,233	2,692	48.57%
16	1 Inch Residential	7,723	11,198	3,475	45.00%
17	5/8 Inch Commercial	-	-	-	-
18	1 Inch Commercial	233	318	86	36.78%
19	1 1/2 Inch Commercial	-	-	-	-
20	2 Inch Commercial	4,498	5,679	1,180	26.24%
21	3 Inch Construction	(4,075)	(6,080)	(2,004)	49.19%
22				-	0.00%
23	Total of Water Revenues	\$825,148	\$1,139,970	\$ 314,821	38.15%
24					
25	* Includes ARSM revenues.				
26					
27	<u>SUPPORTING SCHEDULES:</u>				
28	Rebuttal B-1				
29	Rebuttal C-1				
30	Rebuttal C-3				
31	Rebuttal H-1				
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Summary of Fair Value Rate Base

Exhibit
Rejoinder Schedule B-1
Page 1
Witness: Bourassa

Line No.		Original Cost Rate base
1		
2	Gross Utility Plant in Service	\$ 4,303,069
3	Less: Accumulated Depreciation	<u>1,391,574</u>
4		
5	Net Utility Plant in Service	\$ 2,911,495
6		
7	<u>Less:</u>	
8	Advances in Aid of	
9	Construction	3,180,500
10	Contributions in Aid of	
11	Construction - Net of amortization	323,598
12	Customer Meter Deposits	46,999
13	Deferred Income Taxes & Credits	-
14	Investment tax Credits	-
15	<u>Plus:</u>	
16	Unamortized Finance	
17	Charges	-
18	Deferred Tax Assets	-
19	Allowance for Working Capital	96,114
20	Citizens Acquisition Adjustment	-
21		
22	Total Rate Base	<u>\$ (543,488)</u>
23		
24		
25		
26	<u>SUPPORTING SCHEDULES:</u>	
27	Rejoinder B-2	
28	Rejoinder B-5	
29		
30		
31		

RECAP SCHEDULES:
Rejoinder A-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Original Cost Rate Base Proforma Adjustments

Exhibit
Rejoinder Schedule B-2
Page 1
Witness: Bourassa

Line No.		Rebuttal Adjusted at End of Test Year	Proforma Adjustments: Label Amount	Rejoinder Adjusted at end of Test Year
1	Gross Utility			
2	Plant in Service	\$ 4,303,069		\$ 4,303,069
3				
4	Less:			
5				
6	Accumulated			
7	Depreciation	<u>1,391,574</u>		<u>1,391,574</u>
8				
9	Net Utility Plant			
10	in Service	\$ 2,911,495		\$ 2,911,495
11				
12	Less:			
13	Advances in Aid of			
14	Construction	\$ 3,180,500		\$ 3,180,500
15	Contributions in Aid of			
16	Construction - Net	323,598		323,598
17				
18	Customer Meter Deposits	46,999		46,999
19	Deferred Income Taxes	-		-
20	Investment Tax Credits	-		-
21	Plus:			
22				
23	Deferred Tax Assets	-		-
24				
25	Working capital	96,114		96,114
26				
27				
28	Total	<u><u>\$ (543,488)</u></u>		<u><u>\$ (543,488)</u></u>

31
32 SUPPORTING SCHEDULES:
33 Rejoinder B-5
34
35
36
37
38
39
40
41
42

RECAP SCHEDULES:
Rejoinder B-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Working Capital

Exhibit
Rejoinder Schedule B-5
Page 1
Witness: Bourassa

Line
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	64,895
3	Pumping Power (1/24 of Pumping Power)		4,418
4	Material and Supplies Inventories		26,800
5	Prepayments		-
6			
7			
8	Total Working Capital Allowance	\$	96,114
9			
10	Working Capital Requested per Co. Rebuttal Filing		96,114
11			
12	Increase (decrease) in Working Capital Allowance	\$	(0)
13			
14			

SUPPORTING SCHEDULES:

Rejoinder C-1

RECAP SCHEDULES:

Rejoinder B-2

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Income Statement

Exhibit
Rejoinder Schedule C-1
Page 1
Witness: Bourassa

Line No.		Rebuttal Test Year Adjusted Results	Label	Adjustment	Rejoinder Test Year with Rate Increase	Adjustment	Rejoinder Adjusted with Rate Increase & ARSM
1	Revenues						
2	Metered Water Revenues	\$ 785,774	1	129,946	\$ 915,720		\$ 915,720
3	Arsenic Recovery Surcharge (ARSM) Revenues	-			-	2 185,236	185,236
4	Unmetered Water Revenues	-			-		-
5	Other Water Revenues	41,791			41,791		41,791
6		<u>\$ 827,565</u>		<u>\$ 129,946</u>	<u>\$ 957,511</u>	<u>\$ 185,236</u>	<u>\$ 1,142,747</u>
7	Operating Expenses						
8	Salaries and Wages	\$ 214,213			\$ 214,213		\$ 214,213
9	Purchased Water	-			-		-
10	Purchased Power	106,043			106,043		106,043
11	Chemicals	2,225			2,225		2,225
12	Repairs and Maintenance	20,630			20,630		20,630
13	Office Supplies and Expense	30,348			30,348		30,348
14	Outside Services	5,382			5,382		5,382
15	Water Testing	4,014			4,014		4,014
16	Rents	71,493			71,493		71,493
17	Transportation Expenses	26,216			26,216		26,216
18	Insurance - General Liability	9,083			9,083		9,083
19	Insurance - Health and Life	58,498			58,498		58,498
20	Regulatory Commission Expense - Rate Case	30,000			30,000		30,000
21	Miscellaneous Expense	29,450			29,450		29,450
22	Depreciation Expense	133,545			133,545		133,545
23	Other Taxes and Licenses	17,612			17,612		17,612
24	Property Taxes	48,552	3	1,641	50,193		50,193
25	Income Tax	6,283	5	47,552	53,835	5 32,699	86,534
26		-			-		-
27	Total Operating Expenses	<u>\$ 813,587</u>		<u>\$ 49,193</u>	<u>\$ 862,780</u>	<u>\$ 32,699</u>	<u>\$ 895,479</u>
28	Operating Income	<u>\$ 13,978</u>		<u>\$ 80,753</u>	<u>\$ 94,731</u>	<u>\$ 152,537</u>	<u>\$ 247,268</u>
29	Other Income (Expense)						
30	Interest Income	-			-		-
31	Other income	-			-		-
32	Income Tax Provision	-			-		-
33	Interest Expense	-			-	4 (94,998)	(94,998)
34	Other Expense	-			-		-
35	Gain/Loss Sale of Fixed Assets	-			-		-
36	Total Other Income (Expense)	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94,998)</u>	<u>\$ (94,998)</u>
37	Net Profit (Loss)	<u>\$ 13,978</u>		<u>\$ 80,753</u>	<u>\$ 94,731</u>	<u>\$ 57,539</u>	<u>\$ 152,270</u>

SUPPORTING SCHEDULES:
Rejoinder C-2

RECAP SCHEDULES:
Rejoinder A-1

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses

Exhibit
Rejoinder Schedule C-2
Page 1
Witness: Bourassa

Line No.	1	2	3	4	5	6
	Revenue Increase	Arsenic Recovery Surcharge	Property Taxes	Interest Expense on WIFA Loan	Income Taxes	Subtotal
1	129,946	185,236				315,182
2						
3						
4						
5			1,641		47,552	49,193
6						
7						
8	129,946	185,236	(1,641)	-	(47,552)	265,989
9						
10						
11				(94,998)		(94,998)
12						
13						
14						
15						
16	129,946	185,236	(1,641)	(94,998)	(47,552)	170,991
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						

Adjustments to Revenues and Expenses

Line No.	7	8	9	10	11	12
	Revenue Increase	Arsenic Recovery Surcharge	Property Taxes	Interest Expense on WIFA Loan	Income Taxes	Subtotal
1	129,946	185,236	(1,641)	(94,998)	(47,552)	170,991
2						
3						
4						
5						
6						
7						
8	129,946	185,236	(1,641)	(94,998)	(47,552)	170,991
9						
10						
11						
12						
13						
14						
15						
16	129,946	185,236	(1,641)	(94,998)	(47,552)	170,991
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 1

Exhibit
Rebuttal Schedule C-2
Page 2
Witness: Bourassa

Line

No.

1 Proposed Increase in the Revenue Requirement

2

3

4 Proposed Increase (approximately 10 percent operating margin approach)

\$ 129,946

5

6

7

8

9

10 Increase (decrease) in revenues

\$ 129,946

11

12

13

14

15

16

17 SUPPORTING SCHEDULE:

18 Rejoinder A-1

19

20

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 2

Exhibit
Rebuttal Schedule C-2
Page 3
Witness: Bourassa

Line

No.

1	<u>Arsenic Recovery Surcharge Revenues</u>	
2		
3		
4	Principle Payment (1)	\$ 57,539
5	Gross Revenue Conversion factor (2)	1.5683
6	Revenue Required to cover the Principle (1) times (2) equals (3)	\$ 90,237
7	Interest Payment (4)	<u>94,998</u>
8		
9	Total Increase in Revenue Requirement (3) plus (4) equals (5)	\$ 185,236
10		
11		
12	Adjustment to Revenues and/or Expenses	<u>\$ 185,236</u>
13		
14		
15		
16		
17		
18		
19		
20		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 3

Exhibit
Schedule C-2 Step 1
Page 4
Witness: Bourassa

Line

No.

1	Property Taxes	
2		
3	Adjusted Revenues in year ended 12/31/03	\$ 827,565
4	Adjusted Revenues in year ended 12/31/03	827,565
5	Proposed Revenues	1,142,747
6	Average of three year's of revenue	<u>\$ 932,626</u>
7	Average of three year's of revenue, times 2	\$ 1,865,251
8	Add:	
9	Construction Work in Progress at 10%	0
10	Deduct:	
11	Book Value of Transportation Equipment	29,253
12		
13	Total Book Value of Transportation Equipment	<u>\$ 29,253</u>
14		
15	Full Cash Value	\$ 1,835,998
16	Assessment Ratio	24%
17	Assessed Value	<u>440,640</u>
18	Property Tax Rate	11.13624%
19		
20	Property Tax	49,071
21	Tax on Parcels	1,122
22		
23	Total Property Tax at Proposed Rates	<u>\$ 50,193</u>
24	Rebuttal Property Taxes in the test year	<u>48,552</u>
25	Change in Property Taxes	<u>\$ 1,641</u>
26		
27		
28	Adjustment to Revenues and/or Expenses	<u>\$ 1,641</u>
29		
30		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Adjustments to Revenues and Expenses
Adjustment Number 4

Exhibit
Schedule C-2 Step 1
Page 5
Witness: Bourassa

Line No.		
1	<u>Interest Expense</u>	
2		
3	Interest Expense on WIFA Loan	\$ 94,998
4		
5		
6		
7		
8		
9	Adjustment to Revenues and/or Expense	<u>\$ (94,998)</u>
10		
11		

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Computation of Gross Revenue Conversion Factor

Exhibit
Rejoinder Schedule C-3
Page 1
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	29.27%
2		
3	State Income Taxes	6.97%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	36.24%
9		
10	Operating Income % = 100% - Tax Percentage	63.76%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.5683
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		Rejoinder A-1
20		

REJOINDER TESTIMONY OF

RONALD L. KOZOMAN

1

2

3

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

5 **A.** Ronald L. Kozoman, 1605 W. Mulberry Drive, Phoenix, Arizona 85015.

6

7 **Q. YOU ARE THE SAME RONALD L. KOZOMAN WHO SUBMITTED DIRECT**
8 **AND REBUTTAL TESTIMONY IN THIS DOCKET?**

9 **A.** Yes, I am.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A.** I will testify for Valley Utilities Water Inc. (the "Company") concerning the surrebuttal
13 testimony of Mr. Dennis Rogers of the Arizona Corporation Commission ("ACC") Staff
14 relating to his proposed rates.

15

16 **Q. BEFORE YOU BEGIN YOUR REJOINDER TESTIMONY, DO YOU WANT TO**
17 **MAKE AN APOLOGE TO MR. ROGERS FOR A STATEMENT IN YOUR**
18 **REBUTTAL TESTIMONY?**

19 **A.** Yes. I would like to apologize to Mr. Rogers regarding my rebuttal testimony that his
20 rates did not produce his proposed revenue requirement. When I corrected my inputs of
21 Mr. Rogers' rates in the rate book I used to compute Staff's revenues, I can now match
22 his revenue recommendation.

23

24 **Q. WOULD YOU PROVIDE AN A BRIEF SUMMARY OF YOUR REJOINDER**
25 **TESTIMONY ON RATES?**

26

1 A. Yes. The Company still disagrees with Mr. Rogers recommended rate design,
2 particularly the low income, lifeline, or nondiscretionary water use with a tier that is
3 available only for residential customers on 5/8 x 3/4 inch meters and 3/4 inch meters.
4 Staff proposed three tier rates, but only for the residential customers on 5/8 x 3/4 inch
5 meters and 3/4 inch meters. All other customers, except the construction class on the
6 three inch meter, would have two tiered rates.

7 The Company proposes three tier rates for all customers, except the construction
8 customer class on the three inch meter.

9
10 **Q. BUT DOESN'T MR. ROGERS TESTIFY THAT THE COMMISSION HAS**
11 **ADOPTED HIS THREE TIER RATE DESIGN FOR ARIZONA AMERICAN**
12 **WATER COMPANY?**

13 A. Yes, he does. Because the Commission adopted Staff's proposed rate design for Arizona
14 American Water Company, doesn't mean that I agree that it the best rate design.

15 He also testifies that I proposed a three tier rate for the smaller residential
16 customer class in Rio Rico Utilities.

17
18 **Q. YOU RECOMMENDED A THREE TIER RATE FOR THE RESIDENTIAL**
19 **CUSTOMERS ON SMALLER METERS FOR RIO RICO UTILITY, WHY?**

20 A. To have some chance that the Administrative Law Judge would adopt my proposed rate
21 design, which spread the rate increase as uniformly as possible, and also adhered to my
22 cost of service study in that case as much as possible. Rio Rico Utilities had a single tier
23 rate, prior to the last Commission Decision.

24 Mr. Rogers, who was also a witness in that case, proposed a three tier rate design
25 for Rio Rico which didn't spread the rate increase as uniformly as the three tier rate
26 design that I proposed. Additionally, the Residential Utility Consumers Office

1 ("RUCO") was recommending a rate design that transferred a high dollar amount of their
2 proposed rate increase to customers on larger sized meters. Thus, I had to provide an
3 alternative to the Administrative Law Judge.

4 And recently I submitted a three tier rate design for Chaparral City Water
5 Company (Docket No.W-01223A-04-0616). This was also done to provide a choice to
6 the Administrative Law Judge.

7
8 **Q. WHAT IS YOUR MAJOR OBJECTION WITH STAFF'S RECOMMENDED**
9 **RESIDENTIAL FIRST TIER RATE DESIGN?**

10 **A.** I am of the opinion that lower rates are acceptable for customers who actually need a life
11 line, low income, or a nondiscretionary water use (or whatever you chose to call it) rate.
12 But, I don't think it is appropriate to offer a life line, low income or nondiscretionary
13 water use rate to all residential customers on a particular meter sizes.

14 It doesn't make sense to create a subsidy for certain classes of customers when
15 there is no support for such a subsidy. Staff has never provided, in this case, or other
16 cases, any study supporting why residential customers on 5/8 inch and 3/4 inch meters
17 need a lower rate. The lower first tier rate is just an attempt reduce the rate increase on
18 these residential classes.

19 The purpose of three tier rates is to encourage conservation, not create subsidies,
20 or design rates that favor a particular class of customer. Lowering the present commodity
21 rate from \$1.80 to \$1.50 is just not a conservation message.

22 Conservation begins with the first and the last gallon sold to customers.
23 Providing lower first tier rates greatly weakens the conservation message.

24 If the purpose of three tier rates is not to encourage conservation, why are three
25 tier rates being proposed?
26

1 Q. WHAT MESSAGE DOES STAFF'S THREE TIER RATES GIVE TO
2 CUSTOMERS?

3 A. The message is that Company can produce the first 3,000 gallons of water for residential
4 customers at a lower cost than it can produce additional gallons. However, as long as you
5 don't need additional production capacity, the cost of producing water is for all purposes
6 uniform.

7
8 Q. DO YOU HAVE A COST OF SERVICE STUDY IN THE INSTANT CASE TO
9 SUPPORT THAT CONCLUSION?

10 A. No, I don't. But I have never seen a cost of service study that shows it is less expensive
11 to produce the first 3,000 gallons compared to additional gallons, assuming that
12 production capacity is not a problem.

13
14 Q. HAVE ARE YOU PREPARED REJOINDER SCHEDULES IN THE INSTANT
15 CASE?

16 A. Yes. There are two sets of Rejoinder Schedules, consisting of Schedules H-1, H-2, and
17 H-3. The first set of Rejoinder Schedules contains the rates and resulting revenues based
18 on the Company's Rejoinder revenue requirement, without the loan surcharge for the
19 Arsenic Recovery Surcharge Mechanism ("ARSM").

20 The second set of Rejoinder Schedules contains the rates and resulting revenues
21 based on the Company's Rejoinder revenue requirement, with the loan surcharge for the
22 ARSM.

23
24 Q. HAVE THE MONTHLY MINIMUMS CHANGED FROM WHAT WAS
25 PROPOSED IN THE REBUTTAL PHASE OF YOUR TESTIMONY?

26

1 A. No, the minimums remain the same as proposed in my Rebuttal. The proposed monthly
2 minimums, without the ARSM charge are:

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4	\$ 10.56	0
3/4	\$ 15.95	0
1	\$ 26.40	0
1 1/2	\$ 52.80	0
2	\$ 84.70	0
3	\$ 158.40	0
4	\$ 264.00	0
6	\$ 528.00	0

15
16 Q. ARE YOU PROPOSING NEW COMMODITY RATES IN THIS TESTIMONY?

17 A. Yes. The commodity rates are \$2.00, \$2.50 and \$2.86 per 1,000 gallons for tiers one, two
18 and three respectively. These rates are applicable to all water sales except construction
19 water sales. The water sold for Construction is priced at \$3.10 per thousand for all water.

20
21 Q. ARE YOU PROPOSING DIFFERENT BREAK-OVER POINTS FOR THE TIERS
22 THAN YOU PREVIOUSLY USED?

23 A. No.

1 Q. WHAT ARE THE PROPOSED MONTHLY MINIMUMS WHICH INCLUDE
2 THE ARSM FOR THE LOAN TO SECURE ARESENIC TREATMENT PLANT?

3 A. The proposed monthly minimums, with the ARSM charge are:

4

Meter Size	Monthly Minimum	Gallons Included in Monthly Minimum
5/8 x 3/4	\$ 17.26	0
3/4	\$ 26.00	0
1	\$ 43.13	0
1 1/2	\$ 86.30	0
2	\$ 138.30	0
3	\$ 265.60	0
4		0
6		0

15

16

17 I have omitted surcharge rates for the 4 and 6 inch meters, as there are no
18 customers on these meter sizes. The surcharge for the 4 inch meter would be 25 times the
19 surcharge for the 5/8 inch meter, which is \$6.70, or \$167.50. The surcharge for the 6 inch
20 meter would be 50 times the surcharge for the 5/8 inch meter.

21

22 Q. IS THERE ANY ADDITIONAL INCREASE IN THE COMMODITY RATES
23 WITH THE SURCHARGE RATES?

24 A. No.

25

26

- 1 Q. HAVE YOU COMPARED YOUR PROPOSED RATES TO STAFF PROPOSED
2 RATES?
- 3 A. Yes. The comparison is shown on Exhibit 1.
4
- 5 Q. WOULD YOU EXPLAIN WHAT IS CONTAINED ON THIS EXHIBIT?
- 6 A. On page one of Exhibit 1 the Company's present and proposed rates are shown. I have
7 listed the proposed monthly minimums without the ARSM charge, and with the ARSM
8 charge. Additionally I have included the break-over points for each size meter, and the
9 commodity rates.
- 10 On Page two of Exhibit 1, the Staff's proposed monthly minimums, break-over
11 points for each meter size, and the commodity rates, without the ARSM charge and with
12 the ARSM charge are shown.
13
- 14 Q. WOULD YOU PLEASE EXPLAIN WHAT IS SHOWN ON PAGES 3 AND 4 OF
15 EXHIBIT ONE?
- 16 A. Page 3 contains a comparison of the Company's proposed rates compared to the Staff's
17 proposed rates for residential customers on 5/8 inch and 3/4 meters at various usage
18 levels. This comparison includes the ARSM charge. Page 4 is a comparison of rates for
19 the residential 1 inch customers at various usage levels, and a similar comparison for
20 commercial customers on the 2 inch meters.
21
- 22 Q. HOW COME THE COMPANY'S PROPOSED RATE INCREASES FOR THE 5/8
23 AND 3/4 INCH RESIDENTIAL CUSTOMERS ARE LOWER IN DOLLARS AND
24 PERCENT THAN STAFF'S? THIS IS TRUE FOR THE USAGE UP TO 2,000
25 GALLONS, YET STAFF RECOMMENDS A LOWER PRICED TIER FOR THE
26 RESIDENTIAL FIRST TIER?

1 A. Staff recommends more of an increase in the monthly minimum, without the ARSM
2 surcharge than the Company. (The Company's ARSM surcharge is approximately the
3 same as the Staff's). Staff's increase in the monthly minimum is greater than the savings
4 from the lower commodity rate for the first tier. The Company's lower increase in the
5 monthly minimum has more risk, because as the customers conserve, the revenue
6 received from customers will be lower.

7
8 **Q. WHAT HAPPENS AFTER USAGE OF 2,000 GALLONS?**

9 A. The Company's proposed rates are higher than Staff's.

10
11 **Q. IS THIS WHAT YOU WERE REFERRING TO A CONSERVATION MESSAGE**
12 **FOR BOTH THE FIRST AND LAST GALLON SOLD TO A CUSTOMER?**

13 A. Yes. The customer can't affect a saving in the monthly minimum. The only savings the
14 customer can bring about is to use less water.

15
16 **Q. IS THIS ALSO TRUE FOR THE RESIDENTIAL CUSTOMER ON A 1 INCH**
17 **METER, AND THE COMMERCIAL CUSTOMER ON A 2 INCH METER?**

18 A. Yes.

19
20 **Q. THEN THE DIFFERENCE IS DUE TO A MIX OF THE MONTHLY MINIMUMS**
21 **INCREASES AND THE INCREASES IN THE COMMODITY RATES?**

22 A. Yes.

23
24 **Q. AND YOU PREVIOUSLY TESTIFIED SAID THAT INCREASING THE**
25 **MONTHLY MINIMUMS IS LESS RISKY THAN INCREASING THE**
26 **COMMODITY RATES?**

1 A. Yes.

2

3 Q. DOES THAT CONCLUDE YOUR REJOINDER TESTIMONY?

4 A. Yes, it does.

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Exhibit 1
Page 1
Witness: Kozoman

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Exhibit 1
Page 2
Witness: Kozoman

		ACC Staff's Proposed Rates Without Estimated ARSM Surcharge			Data From Surrebutal Schedule DDR-17				
Line No.	Meter Size	Monthly Minimums	Monthly Minimums Percent- age Increase	Breakover Tier 1	Breakover Tier 2	Breakover Tier 3	Rate for Tier 1	Rate for Tier 2	Rate for Tier 3
1	5/8" x 3/4" Res	11.24	17.08%	3,000	10,000	10,001	\$ 1.50	\$ 2.31	\$ 2.53
2	3/4" Res	16.87	16.34%	3,000	10,000	10,001	1.50	2.31	2.53
3	5/8" Com	11.24	17.08%	18,000	18,001		2.31	2.53	
4	3/4" Com	16.87	16.34%	18,000	18,001		2.31	2.53	
5	1"	28.10	17.08%	50,359	50,360		2.31	2.53	
6	1 1/2"	56.21	17.10%	126,054	126,055		2.31	2.53	
7	2"	89.94	16.81%	151,258	151,259		2.31	2.53	
8	3"	179.87	24.91%	403,274	403,275		2.31	2.53	
9	4"	281.05	17.10%	453,722	453,723		2.31	2.53	
10	6"	562.10	17.10%	1,260,313	1,260,314		2.31	2.53	
11	8"	899.36	N/A						
12	10"	1,292.83	N/A						
13	12"	2,147.03	N/A						
14	3" Const.	179.87	24.91%	All Water is priced at			3.02		

	ACC Staff's Proposed Rates With Estimated ARSM Monthly Minimums	Monthly Minimums Percent- age Increase	Breakover Tier 1	Breakover Tier 2	Breakover Tier 3	Rate for Tier 1	Rate for Tier 2	Rate for Tier 3
5/8" x 3/4" Res	17.95	86.98%	3,000	10,000	10,001	\$ 1.50	\$ 2.31	\$ 2.53
3/4" Res	26.93	85.72%	3,000	10,000	10,001	1.50	2.31	2.53
5/8" Com	17.95	86.98%	18,000	18,001		2.31	2.53	
3/4" Com	26.93	85.72%	18,000	18,001		2.31	2.53	
1"	44.87	86.96%	50,359	50,360		2.31	2.53	
1 1/2"	89.75	86.98%	126,054	126,055		2.31	2.53	
2"	143.61	86.51%	151,258	151,259		2.31	2.53	
3"	280.50	94.79%	403,274	403,275		2.31	2.53	
4" (a)			453,722	453,723		2.31	2.53	
6" (a)			1,260,313	1,260,314		2.31	2.53	
8" (a)								
10" (a)								
12" (a)								
3" Const.	280.50	94.79%	All Water is priced at			3.02		
(a) Estimated ARSM Not Included for this Meter Size, as there are No Customers on this meter size.								

Valley Utilities Water Company Inc.
Comparison of Company's Present & Rejoinder Proposed and
and ACC Staff's Proposed Surrebuttal Rates
Test Year Ended December 31, 2003
W-014212-04-076 & W-01442A-0849

Exhibit 1
Page 3
Witness: Kozoman

Residential 5/8 x 3/4 Inch Customer

Line No.	Water Usage	Company Proposed Rates With				Staff Proposed Rates With			
		Present Rates	ARSM Surcharge	Dollar Increase	Percent Increase	ARSM Surcharge	Dollar Increase	Percent Increase	
1	-	\$ 9.60	\$ 17.26	\$ 7.66	79.79%	\$ 17.95	\$ 8.35	86.98%	
2	1,000	11.40	19.26	7.86	68.95%	19.45	8.05	70.61%	
3	2,000	13.20	21.26	8.06	61.06%	20.95	7.75	58.71%	
4	3,000	15.00	23.26	8.26	55.07%	22.45	7.45	49.67%	
5	4,000	16.80	25.26	8.46	50.36%	24.76	7.96	47.38%	
6	5,000	18.60	27.26	8.66	46.56%	27.07	8.47	45.54%	
7	6,000	20.40	29.26	8.86	43.43%	29.38	8.98	44.02%	
8	7,000	22.20	31.26	9.06	40.81%	31.69	9.49	42.75%	
9	8,000	24.00	33.26	9.26	38.58%	34.00	10.00	41.67%	
10	9,000	25.80	35.76	9.96	38.60%	36.31	10.51	40.74%	
11	10,000	27.60	38.26	10.66	38.62%	38.62	11.02	39.93%	
12	15,000	36.60	51.84	15.24	41.64%	51.27	14.67	40.08%	
13	20,000	45.60	66.14	20.54	45.04%	63.92	18.32	40.18%	
14	25,000	54.60	80.44	25.84	47.33%	76.57	21.97	40.24%	
15	30,000	65.60	94.74	29.14	44.42%	89.22	23.62	36.01%	

(a)

(a) Does Not Include Estimated Operation & Maintenance Expenses for Arsenic Treatment

Residential 3/4 Inch Customer

Line No.	Water Usage	Company Proposed Rates With				Staff Proposed Rates With			
		Present Rates	ARSM Surcharge	Dollar Increase	Percent Increase	ARSM Surcharge	Dollar Increase	Percent Increase	
25	-	\$ 14.50	\$ 26.00	\$ 11.50	79.31%	\$ 26.93	\$ 12.43	85.72%	
26	1,000	16.30	28.00	11.70	71.78%	28.43	12.13	74.42%	
27	2,000	18.10	30.00	11.90	65.75%	29.93	11.83	65.36%	
28	3,000	19.90	32.00	12.10	60.80%	31.43	11.53	57.94%	
29	4,000	21.70	34.00	12.30	56.68%	33.74	12.04	55.48%	
30	5,000	23.50	36.00	12.50	53.19%	36.05	12.55	53.40%	
31	6,000	25.30	38.00	12.70	50.20%	38.36	13.06	51.62%	
32	7,000	27.10	40.00	12.90	47.60%	40.67	13.57	50.07%	
33	8,000	28.90	42.00	13.10	45.33%	42.98	14.08	48.72%	
34	9,000	30.70	44.00	13.30	43.32%	45.29	14.59	47.52%	
35	10,000	32.50	46.00	13.50	41.54%	47.60	15.10	46.46%	
36	15,000	41.50	57.50	16.00	38.55%	60.25	18.75	45.18%	
37	20,000	50.50	70.72	20.22	40.04%	72.90	22.40	44.36%	
38	25,000	59.50	85.02	25.52	42.89%	85.55	26.05	43.78%	
39	30,000	70.50	99.32	28.82	40.88%	98.20	27.70	39.29%	

(a)

(a) Does Not Include Estimated Operation & Maintenance Expenses for Arsenic Treatment

Valley Utilities Water Company Inc.
 Comparison of Company's Present & Rejoinder Proposed and
 and ACC Staff's Proposed Surrebuttal Rates
 Test Year Ended December 31, 2003
 W-014212-04-076 & W-01442A-0849

Exhibit 1
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 Witness: Kozoman

Residential 1 Inch Customer

Line No.	Water Usage	Company Proposed Rates With				Staff Proposed Rates With			
		Present Rates	ARSM Surcharge	Dollar Increase	Percent Increase	ARSM Surcharge	Dollar Increase	Percent Increase	
1	-	\$ 24.00	\$ 43.15	\$ 19.15	79.79%	\$ 44.87	\$ 20.87	86.96%	
2	1,000	25.80	45.15	19.35	75.00%	47.18	21.38	82.87%	
3	2,000	27.60	47.15	19.55	70.83%	49.49	21.89	79.31%	
4	3,000	29.40	49.15	19.75	67.18%	51.80	22.40	76.19%	
5	4,000	31.20	51.15	19.95	63.94%	54.11	22.91	73.43%	
6	5,000	33.00	53.15	20.15	61.06%	56.42	23.42	70.97%	
7	6,000	34.80	55.15	20.35	58.48%	58.73	23.93	68.76%	
8	7,000	36.60	57.15	20.55	56.15%	61.04	24.44	66.78%	
9	8,000	38.40	59.15	20.75	54.04%	63.35	24.95	64.97%	
10	9,000	40.20	61.15	20.95	52.11%	65.66	25.46	63.33%	
11	10,000	42.00	63.15	21.15	50.36%	67.97	25.97	61.83%	
12	15,000	51.00	73.15	22.15	43.43%	79.52	28.52	55.92%	
13	20,000	60.00	83.15	23.15	38.58%	91.07	31.07	51.78%	
14	25,000	69.00	95.65	26.65	38.62%	102.62	33.62	48.72%	
15	30,000	80.00	108.15	28.15	35.19%	114.17	34.17	42.71%	
16	40,000	102.00	136.75	34.75	34.07%	137.27	35.27	34.58%	
17	50,000	124.00	165.35	41.35	33.35%	160.37	36.37	29.33%	
18	60,000	146.00	193.95	47.95	32.84%	185.59	39.59	27.12%	

(a)

(a) Does Not Include Estimated Operation & Maintenance Expenses for Arsenic Treatment

Commercial 2 Inch Customer

Line No.	Water Usage	Company Proposed Rates With				Staff Proposed Rates With			
		Present Rates	ARSM Surcharge	Dollar Increase	Percent Increase	ARSM Surcharge	Dollar Increase	Percent Increase	
29	10,000	\$ 95.00	\$ 158.30	\$ 63.30	66.63%	\$ 166.71	\$ 71.71	75.48%	
30	20,000	113.00	178.30	65.30	57.79%	189.81	76.81	67.97%	
31	30,000	133.00	198.30	65.30	49.10%	212.91	79.91	60.08%	
32	40,000	155.00	218.30	63.30	40.84%	236.01	81.01	52.26%	
33	50,000	177.00	238.30	61.30	34.63%	259.11	82.11	46.39%	
34	60,000	199.00	258.30	59.30	29.80%	282.21	83.21	41.81%	
35	70,000	221.00	281.30	60.30	27.29%	305.31	84.31	38.15%	
36	80,000	243.00	306.30	63.30	26.05%	328.41	85.41	35.15%	
37	90,000	265.00	331.30	66.30	25.02%	351.51	86.51	32.65%	
38	100,000	287.00	357.74	70.74	24.65%	374.61	87.61	30.53%	
39	150,000	397.00	500.74	103.74	26.13%	490.11	93.11	23.45%	
40	200,000	507.00	643.74	136.74	26.97%	616.33	109.33	21.56%	
41	250,000	617.00	786.74	169.74	27.51%	742.83	125.83	20.39%	
42	300,000	727.00	929.74	202.74	27.89%	869.33	142.33	19.58%	
43	350,000	837.00	1,072.74	235.74	28.16%	995.83	158.83	18.98%	
44	400,000	947.00	1,215.74	268.74	28.38%	1,122.33	175.33	18.51%	
45	450,000	1,057.00	1,358.74	301.74	28.55%	1,248.83	191.83	18.15%	
46	500,000	1,167.00	1,501.74	334.74	28.68%	1,375.33	208.33	17.85%	
47	550,000	1,277.00	1,644.74	367.74	28.80%	1,501.83	224.83	17.61%	
48	600,000	1,387.00	1,787.74	400.74	28.89%	1,628.33	241.33	17.40%	
49	650,000	1,497.00	1,930.74	433.74	28.97%	1,754.83	257.83	17.22%	

(a)

(a) Does Not Include Estimated Operation & Maintenance Expenses for Arsenic Treatment

Valley Utilities Water Company, Inc.

Test Year Ended December 31, 2003

Revenue Summary

With Annualized Revenues to Year End Number of Customers
Rejoinder Rates Without ARSM Surcharge

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	\$ 78,282	\$ 93,492	\$ 15,210	19.43%	9.64%	9.94%
2	3/4 Inch	Residential	232,845	267,771	34,927	15.00%	28.66%	28.46%
3	1 Inch	Residential	193,752	223,612	29,860	15.41%	23.85%	23.77%
4		Subtotal	\$ 504,878	\$ 584,875	\$ 79,997	15.84%	62.15%	62.17%
5								
6	5/8 Inch	Commercial	\$ 1,316	\$ 1,463	\$ 147	11.20%	0.16%	0.16%
7	1 Inch	Commercial	13,033	15,578	2,545	19.53%	1.60%	1.66%
8	1.5 Inch	Commercial	11,172	12,563	1,391	12.45%	1.38%	1.34%
9	2 Inch	Commercial	225,917	268,068	42,150	18.66%	27.81%	28.50%
10								
11		Subtotal	\$ 251,438	\$ 297,672	\$ 46,234	18.39%	30.95%	31.64%
12								
13	3 Inch	Construction	\$ 14,290	\$ 16,386	\$ 2,097	14.67%	1.76%	1.74%
14		Miscellaneous Revenues	41,791	41,791	-	0.00%	5.14%	4.44%
15		Subtotal	\$ 812,397	\$ 940,725	\$ 128,328	15.80%	100.00%	100.00%
16								
17								
18								
19	Revenue Annualization							
20								
21	Meter		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Present Water Revenues	Proposed Water Revenues
22	Size	Class						
23	5/8 Inch	Residential	\$(1,168.54)	\$(1,348.37)	\$ (179.82)	15.39%	-0.14%	-0.14%
24	3/4 Inch	Residential	5,541	6,112	571	10.30%	0.68%	0.65%
25	1 Inch	Residential	7,723	8,568	845	10.95%	0.95%	0.91%
26								
27		Subtotal	\$ 12,096	\$ 13,332	\$ 1,237	10.22%	1.49%	1.42%
28								
29	5/8 Inch	Commercial	\$ 233	\$ 268	\$ 35	15.18%	0.03%	0.03%
30	1 Inch	Commercial						
31	1.5 Inch	Commercial	4,498	5,089	591	13.14%	0.55%	0.54%
32	2 Inch	Commercial						
33								
34		Subtotal	\$ 4,731	\$ 5,357	\$ 626	13.24%	0.58%	0.57%
35								
36	3 Inch	Construction	(4,075)	(4,686)	(611)	14.99%	-0.50%	-0.50%
37								
38	Total Revenue Annualization		\$ 12,751	\$ 14,003	\$ 1,251.86	9.82%	1.57%	1.49%
39	Total Water Revenues with Revenue							
40	Annualization		\$ 825,148	\$ 954,728	\$ 129,580	15.70%		
41								

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2003	Revenues		Proposed Increase	
			Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 Inch Residential	247	\$ 9,264	\$ 29.72	\$ 3.44	13.11%
2	3/4 Inch Residential	584	10,243	36.44	3.50	10.62%
3	1 Inch Residential	258	20,040	66.50	6.43	10.70%
4	1.5 Inch Residential					
5	Subtotal	1,089				
6						
7	5/8 Inch Commercial	7	\$ 3,370	\$ 15.67	\$ 1.63	10.43%
8	3/4 Inch Commercial					
9	1 Inch Commercial	11	38,424	99	17	17.21%
10	1.5 Inch Commercial	6	52,593	154	11	6.88%
11	2 Inch Commercial	45	158,358	415	56	13.40%
12	3 Inch Construction	4	56,780	292	43	14.67%
13	Subtotal	73				
14						
15						
16						
17	Totals				1,162	

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Present and Proposed Rates
Rejoinder Rates Without ARSM Surcharge

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.		Present Rates	Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	<u>Residential and Commercial</u>	Rounded to two (2) decimal Places		
3	5/8 x 3/4 Inch	\$ 9.60	\$ 10.56	10.00%
4	3/4 Inch	14.50	15.95	10.00%
5	1 Inch	24.00	26.40	10.00%
6	1 1/2 Inch	48.00	52.80	10.00%
7	2 Inch	77.00	84.70	10.00%
8	3 Inch	144.00	158.40	10.00%
9	4 Inch	240.00	264.00	10.00%
10	6 Inch	480.00	528.00	10.00%
11		-	-	0.00%
12	Construction (3 inch meter)	144.00	158.40	10.00%
13				
14	<u>Gallons In Minimum</u>			
15	Residential, Commercial, Industrial	-	-	
16				
17	Construction Water	-	-	
18				
19				
20	<u>Gallons for Rate Tiers</u>			
21	<u>Tier 1: (Gallon upper limit.)</u>			
22	5/8 Inch	25,000	8,000	
23	3/4 Inch	25,000	12,000	
24	1 Inch	25,000	20,000	
25	1 1/2 Inch	25,000	40,000	
26	2 Inch	25,000	64,000	
27	3 Inch	25,000	128,000	
28	4 Inch	25,000	200,000	
29	6 Inch	25,000	400,000	
30	<u>Tier 2: (Gallons upper limit, 150% of Tier 1)</u>			
31	5/8 Inch	999,999,999	12,000	
32	3/4 Inch	999,999,999	18,000	
33	1 Inch	999,999,999	30,000	
34	1 1/2 Inch	999,999,999	60,800	
35	2 Inch	999,999,999	96,000	
36	3 Inch	999,999,999	192,000	
37	4 Inch	999,999,999	300,000	
38	6 Inch	999,999,999	600,000	
39	<u>Tier 3: (Gallon over)</u>			
40	All	999,999,999	All Gallons in Excess of tier 2 above	
41				
42				
43	Construction Water (All)	999,999,999	999,999,999	
44				
45				
46				
47	<u>Residential, Commercial, Industrial</u>	Present Rates	Proposed Rates	Percent Change
48	<u>Commodity Rates</u>	Rounded to three (3) decimal Places		
49	First Tier	\$ 1.80	\$ 2.00	11.11%
50	Second Tier	2.20	2.50	13.64%
51	Third Tier	2.20	2.86	30.00%
52	Fourth Tier	2.20	2.86	30.00%
53				
54	Construction	2.60	3.10	19.23%

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Revenue Summary
With Annualized Revenues to Year End Number of Customers
Rejoinder Rates with ARSM Surcharge

Exhibit
Rejoinder Schedule H-1
Page 1
Witness: Kozoman

Line No.	Meter Size	Class	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of Present Water Revenues	Percent of Proposed Water Revenues
1	5/8 Inch	Residential	\$ 93,492	\$ 113,310	\$ 19,819	21.20%	9.94%	10.10%
2	3/4 Inch	Residential	267,771	338,252	70,481	26.32%	28.46%	30.14%
3	1 Inch	Residential	223,612	275,453	51,841	23.18%	23.77%	24.54%
4		Subtotal	\$ 584,875	\$ 727,016	\$ 142,141	24.30%	62.17%	64.78%
5								
6	5/8 Inch	Commercial	\$ 1,463	\$ 2,026	\$ 563	38.46%	0.16%	0.18%
7	1 Inch	Commercial	15,578	17,739	2,161	13.87%	1.66%	1.58%
8	1.5 Inch	Commercial	12,563	14,975	2,412	19.20%	1.34%	1.33%
9	2 Inch	Commercial	268,068	297,065	28,998	10.82%	28.50%	26.47%
10								
11		Subtotal	\$ 297,672	\$ 331,806	\$ 34,133	11.47%	31.64%	29.57%
12								
13	3 Inch	Construction	\$ 16,386	\$ 21,639	\$ 5,253	32.06%	1.74%	1.93%
14		Miscellaneous Revenues	41,791	41,791	-	0.00%	4.44%	3.72%
15		Subtotal	\$ 940,725	\$ 1,122,251	\$ 181,526	19.30%	100.00%	100.00%
16								
17								
18								
19	Revenue Annualization							
20								
21	Meter		Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Present Water Revenues	Proposed Water Revenues
22	Size	Class						
23	5/8 Inch	Residential	\$(1,348.37)	\$ (1,629.77)	\$ (281.40)	20.87%	-0.14%	-0.15%
24	3/4 Inch	Residential	6,112	8,233	2,121	34.69%	0.65%	0.73%
25	1 Inch	Residential	8,568	11,198	2,630	30.69%	0.91%	1.00%
26								
27		Subtotal	\$ 13,332	\$ 17,801	\$ 4,469	33.52%	1.42%	1.59%
28								
29	5/8 Inch	Commercial	\$ 268	\$ 318	\$ 50	18.75%	0.03%	0.03%
30	1 Inch	Commercial						
31	1.5 Inch	Commercial	5,089	5,679	590	11.59%	0.54%	0.51%
32	2 Inch	Commercial						
33								
34		Subtotal	\$ 5,357	\$ 5,997	\$ 640	11.94%	0.57%	0.53%
35								
36	3 Inch	Construction	(4,686)	(6,080)	(1,394)	29.74%	-0.50%	-0.54%
37								
38	Total Revenue Annualization		\$ 14,003	\$ 17,718	\$ 3,715.15	26.53%	1.49%	1.58%
39	Total Water Revenues with Revenue							
40	Annualization		\$ 954,728	\$ 1,139,970	\$ 185,242	19.40%		
41								

Line No.	Meter Size, Class	(a) Average Number of Customers at 12/31/2003	Average Consumption	Revenues		Proposed Increase	
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount
1	5/8 Inch Residential	247	9,264	\$ 29.72	\$ 36.42	\$ 6.70	22.54%
2	3/4 Inch Residential	584	10,243	36.44	46.49	10.05	27.58%
3	1 Inch Residential	258	20,040	66.50	83.25	16.75	25.19%
4	1.5 Inch Residential						
5	Subtotal	1,089					
6							
7	5/8 Inch Commercial	7	3,370	\$ 17.30	\$ 24.00	\$ 6.70	0.39
8	3/4 Inch Commercial						
9	1 Inch Commercial	11	38,424	115	132	17	0.15
10	1.5 Inch Commercial	6	52,593	164	198	34	0.20
11	2 Inch Commercial	45	158,358	471	525	54	0.11
12	3 Inch Construction	4	56,780	334	442	107	0.32
13	Subtotal	73					
14							
15							
16							
17	Totals	1,162					

(a) Average number of customers of less than one (1), indicates that less than 12 bills were issued during the year.

Valley Utilities Water Company, Inc.
Test Year Ended December 31, 2003
Present and Proposed Rates
Rejoinder Rates with ARSM Surcharge

Exhibit
Rejoinder Schedule H-3
Page 1
Witness: Kozoman

Line No.		Present Rates	Proposed Rates	Percent Change
1	Monthly Usage Charge for:			
2	Residential and Commercial	Rounded to two (2) decimal Places		
3	5/8 x 3/4 Inch	\$ 10.56	\$ 17.26	63.45%
4	3/4 Inch	15.95	26.00	63.01%
5	1 Inch	26.40	43.15	63.45%
6	1 1/2 Inch	52.80	86.30	63.45%
7	2 Inch	84.70	138.30	63.28%
8	3 Inch	158.40	265.60	67.68%
9	4 Inch	264.00	431.50	63.45%
10	6 Inch	528.00	863.00	63.45%
11		-	-	0.00%
12	Construction (3 inch meter)	158.40	265.60	67.68%
13				
14	Gallons In Minimum			
15	Residential, Commercial, Industrial	-	-	
16				
17	Construction Water	-	-	
18				
19				
20	Gallons for Rate Tiers			
21	Tier 1: (Gallon upper limit.)			
22	5/8 Inch	8,000	8,000	
23	3/4 Inch	12,000	12,000	
24	1 Inch	20,000	20,000	
25	1 1/2 Inch	40,000	40,000	
26	2 Inch	64,000	64,000	
27	3 Inch	128,000	128,000	
28	4 Inch	200,000	200,000	
29	6 Inch	400,000	400,000	
30	Tier 2: (Gallons upper limit, 150% of Tier 1)			
31	5/8 Inch	12,000	12,000	
32	3/4 Inch	18,000	18,000	
33	1 Inch	30,000	30,000	
34	1 1/2 Inch	60,800	60,800	
35	2 Inch	96,000	96,000	
36	3 Inch	192,000	192,000	
37	4 Inch	300,000	300,000	
38	6 Inch	600,000	600,000	
39	Tier 3: (Gallon over)			
40	All	999,999,999	All Gallons	
41		-	in Excess	
42		-	of tier 2 above	
43	Construction Water (All)	999,999,999	999,999,999	
44				
45				
46				
47	Residential, Commercial, Industrial	Present Rates	Proposed Rates	Percent Change
48	Commodity Rates	Rounded to three (3) decimal Places		
49	First Tier	\$ 2.00	\$ 2.00	0.00%
50	Second Tier	2.50	2.50	0.00%
51	Third Tier	2.86	2.86	0.00%
52	Fourth Tier	2.86	2.86	0.00%
53				
54	Construction	3.10	3.10	0.00%